

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 OMB-01
TRSE-00 /035 R

DRAFTED BY EB/OA/AVP:GGRIFITHS:SP
APPROVED BY EB/OA:MHSTYLES
EB/OA/AVP:AJWHITE
EB/OA/AN:RABROWN
EA/ANP:CTWINING

-----129878 140326Z /15

P 132211Z SEP 78
FM SECSTATE WASHDC
TO AMEMBASSY CANBERRA PRIORITY

C O N F I D E N T I A L STATE 232383

E.O. 11652: N/A

TAGS: EAIR, AU

SUBJECT: PAN AM BUDGET FARE

REF: A) CANBERRA 6925 B) STATE 191474 C) CANBERRA 5866
C) CANBERRA 5673

1. DEPARTMENT CONCURS WITH EMBASSY ASSESSMENT THAT WE
FOCUS ON SUBSTANTIVE ELEMENTS OF FARE ISSUE INSTEAD OF
PROCEDURAL QUESTIONS. GOA RESPONSE, REF A, TO OUR
AIDE-MEMOIRE AMPLY DEMONSTRATES THAT CONTINUED EMPHASIS
ON FORM OF GOA REJECTION OF PAN AM BUDGET FARE IS
UNPRODUCTIVE BECAUSE GOA SIDESTEPS REAL ISSUE. VIRTUALLY
ENTIRE GOA REPLY DISCUSSES HOW AND BY WHAT AUTHORITY GOA
REJECTED FARE, WITH ONLY BRIEF, LAST PARAGRAPH TELLING WHY
FARE WAS REJECTED.

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2. WE CANNOT, UNDER TERMS OF AGREEMENT, FORCE GOA TO
ACCEPT AN AIR FARE IT IS DETERMINED TO DISAPPROVE, AND
WE DOUBT GOA WOULD DENOUNCE MERELY BECAUSE IT DOES NOT
LIKE PRESSURE US MIGHT ATTEMPT TO APPLY TO SECURE LOW AIR
FARES.

3.

WE BELIEVE IT MAY BE TIME TO LET THE SPOTLIGHT OF PUBLIC ATTENTION ILLUMINATE THIS ISSUE. IN REFS C AND D, EMBASSY SPECULATED ON GOA AVIATION STRATEGY AND DESCRIBED SOME OF THE PRESS REPORTS ON AIR FARES BY WHICH EMBASSY SUGGESTED GOA MIGHT BE SETTING USG UP AS "FALL GUY" IN FAILURE TO ACHIEVE LOW FARES, WHEREAS REALITY OF SITUATION, AS EMBASSY KNOWS, IS QUITE DIFFERENT. DEPT HOPES YOU CAN FIND OPPORTUNITY TO SET PUBLIC RECORD STRAIGHT ON THIS SUBJECT. WITHOUT WANTING TO GET INTO POLEMICS WITH GOA, WE BELIEVE CERTAIN POINTS MIGHT BE MADE KNOWN DISCREETLY TO EMBASSY PRESS CONTACTS TO PRESENT OUR SIDE OF ARGUMENT. ALTERNATIVELY, THIS COULD BE DONE WITH TRADE PRESS HERE BUT DEPARTMENT BELIEVES IMPACT WOULD BE GREATER IF STORY ORIGINATES IN AUSTRALIA. FOLLOWING POINTS SEEM TO DEPARTMENT TO BE IMPORTANT:

A) GOA HAS ATTEMPTED TO GIVE IMPRESSION RECENTLY THAT IT FAVORS INTRODUCTION OF LOW TRANSPACIFIC FARES.

B) ON JULY 15, PAN AM FILED A ROUNDTRIP US WEST COAST-SYDNEY BUDGET FARE AT A LEVEL OF 778 DOLLARS US. ROUNDTRIP HONOLULU-SYDNEY BUDGET FARE PROPOSED BY PAN AM IS 632 DOLLARS US. THE NORMAL ECONOMY ROUND TRIP FARE US-WEST COAST-SYDNEY IS 1642 DOLLARS US, AND THE NORMAL ECONOMY HONOLULU-SYDNEY ROUNDTRIP FARE IS 1414 DOLLARS US. IN BOTH CASES, THE FARE REDUCTION IS OVER 50 PERCENT.
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C) GOA REJECTED THE FARE ON JULY 19 WITHOUT EXPLANATION. IN SPITE OF USG DIPLOMATIC REQUEST, GOA HAS BEEN UNABLE OR UNWILLING TO PROVIDE ECONOMIC JUSTIFICATION FOR REJECTING PAN AM BUDGET FARE.

D) PAN AM BUDGET FARE ISSUE IS SEPARATE FROM CONTINENTAL ISSUE. PROPOSED FARE APPEARS TO BE STEP IN DIRECTION OF LOWER FARE FOR US-AUSTRALIA TRAVEL. IF GOA SINCERELY IN FAVOR OF LOWER FARES, WHY IS IT REJECTING PAN AM FARE?

4. ACTION REQUESTED: EMBASSY REQUESTED DISCREETLY PASS STORY OF PAN AM BUDGET FARES TO AVIATION PRESS CONTACTS, EMPHASIZING POINTS IN PARA 3 ABOVE, AND OTHER POINTS DEEMED IMPORTANT BY EMBASSY. PLEASE ADVISE IF YOU TAKE SERIOUS ISSUE WITH SUGGESTION OF PARA 3 FOREGOING.

5. RE PARA 3 REF A, GOA IS CORRECT IN THAT PARA G OF SECTION IV OF ANNEX APPLIES. PARA F WOULD BE APPLICABLE

ONLY IF CAB HAD POWER TO FIX RATES. IN FACT, IT HAS POWER

ONLY TO SUSPEND (I.E. DISAPPROVE) FILINGS MADE BY AIRLINES;
HENCE G IS APPLICABLE. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BUDGETS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE232383
Document Source: CORE
Document Unique ID: 00
Drafter: GGRIFFITHS:SP
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780373-0379
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780970/aaaacfrx.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b7ec5751-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 CANBERRA 6925, 78 STATE 191474, 78 CANBERRA 5866
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1447055
Secure: OPEN
Status: NATIVE
Subject: PAN AM BUDGET FARE
TAGS: EAIR, AU
To: CANBERRA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b7ec5751-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014